

Financial Report

**Washington Council on the Aging, Inc.
Franklinton, Louisiana**

June 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Washington Council on the Aging, Inc.

The following discussion and analysis of the Washington Council on the Aging, Inc.'s financial performance provides an overview and analysis of the Council's financial performance and activities for the year ended June 30, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts. Also, this document should be read in conjunction with the basic financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Council showed a decrease in overall net assets of \$4,512.
- Net capital assets of the Council decreased by \$16,014, or 15.8%.
- The Council's fund revenues decreased by \$16,716, or 2.2%.
- Fund expenditures decreased by \$30,315, or 4%.
- The unreserved, undesignated fund balance for the Council's General Fund was \$76,658 at year-end, which is a 7.1% increase from the prior year.
- No deficit fund balances existed at year-end.
- The Council did not have long-term debt as of year-end.

HOW TO USE THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 16 and 17) provide information about the activities of the Council as a whole and present a long-term view of the Council's finances. Fund financial statements begin on page 19. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Council's operations in more detail than the government-wide financial statements by providing information about the Council's most significant funds.

The auditor has provided assurance in his independent auditor's report, located immediately after this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. The auditor also provides in his report varying degrees of assurance about the Supplementary Financial Information required by GASB Statement 34 and GOEA that follows later in this reporting package. A user of this document should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part of the financial section of the report.

REPORTING THE COUNCIL AS A WHOLE USING GOVERNMENT-WIDE STATEMENTS

Management's analysis of the Council as a whole begins on page 4. An important point to consider is whether the Council's finances, as a whole, are better or worse off as a result of this year's activities.

The Statement of Net Assets and the Statement of Activities (referred to collectively as the Government-Wide Financial Statements) report information about the Council as a whole and about its activities in a way that helps when considering this point. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. Also, under the accrual basis, all current year revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements, found on pages 16 and 17, report the Council's net assets and changes in them. The Council has restricted net assets of \$34,480, which must be used for specific purposes, whereas \$113,247 of its net assets are unrestricted, meaning that they can be used for any program at management's discretion. The Statement of Net Assets is designed to present the financial position of the council as of year-end. Over time, increases or decreases in the Council's net assets are one indicator of whether its financial position is improving or deteriorating. However, to assess the overall financial position of the Council, the reader must consider other non-financial factors, such as the condition of the Council's capital assets and facilities, the addition or termination of grants and other revenue sources, and the expansion or contraction of programs and services.

The Statement of Activities provides information that shows how the Council's net assets changed as a result of this year's activities. All of the Council's significant activities are reported in the Statement of Activities, including an Administration function and a Health, Welfare, and Social Services function. The Health, Welfare, and Social Services function is comprised of various programs that include supportive social services, nutritional services, non-elderly transportation, family caregiver support, senior citizen activities, disease prevention and health promotion, and prescription drug discount cards. Subprogram activities are also presented in some cases to help the reader analyze the Council's operations better. All activities of the Council are considered to be governmental activities. A governmental activity is usually one where the Council uses money it receives from governmental grants and contracts, along with donations from the general public, to provide services at no charge to the general public, or a segment of the general public, such as the elderly. In other words, the people benefiting from the service are not required to pay for what they receive. If the Council charged fees with the intention of making a profit or recovering the full cost of providing the service, that activity would be classified as a business-type activity. The Council does not have any business-type activities. However, the Council charged fees to transport non-elderly people and, on the surface, the fees appear to have been sufficient to cover the costs of providing this service when reviewing the Statement of Activities. Non-elderly transportation is just one component of the Council's overall parish-wide transportation program. When all service components of the transportation program are combined, the Council did not make a profit or come close to recovering all of its costs in providing transportation services. Accordingly, this transportation program is not viewed as a business-type activity.

REPORTING THE COUNCIL'S MOST SIGNIFICANT FUNDS USING FUND FINANCIAL STATEMENTS

The Fund Financial Statements provide detailed information about the most significant funds, not the Council as a whole entity. In the Fund Financial Statements, the reader will see a General Fund, six Special Revenue Funds that have been determined to be "Major Funds", and a column for the total of all remaining Special Revenue Funds, which are considered to be "Nonmajor Funds." The General Fund is used to account for all financial resources except those that are required to be accounted for in another fund. The Special Revenue Funds account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes. By using separate funds to track revenues and expenditures, management can control funds for particular purposes or show that the fund is meeting legal responsibilities for using certain grants and other revenues.

The General Fund and Special Revenue Funds are considered governmental funds. Governmental funds focus on how money flows into and out of funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the *modified* accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Council's general government operations and the basic services it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future for Council programs. The difference between net assets of governmental activities and fund balances of the governmental funds is reconciled at the bottom of the Balance Sheet for Governmental Funds. In addition, the difference between the change in fund balances for the governmental funds and the change in net assets for the governmental activities has been reconciled on a separate page that follows the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 and should be read before making assumptions or drawing conclusions about the Council's financial condition.

SUPPLEMENTARY FINANCIAL INFORMATION REQUIRED BY GASB STATEMENT 34

The Governmental Accounting Standards Board (GASB) Statement 34 requires budgetary comparison schedules for the General Fund and each major Special Revenue Fund that has an adopted annual budget. The schedules compare the original and final budgets to actual budget results for the Council's fiscal year. Positive and negative variances between the final budget and actual amounts are also presented.

Major funds are those funds whose revenues, expenditures, assets, or liabilities are at least 10% of corresponding totals for all governmental funds. In addition, a major fund could be a fund that does not meet these criteria but which is believed to be important to present to the Council's financial statement users.

Management's Discussion and Analysis (MD&A) is also required supplementary information (RSI) by GASB Statement 34. However, GASB Statement 34 requires the MD&A be presented as the first item in this reporting package and not with the other RSI, which is included later in this reporting package.

OTHER SUPPLEMENTARY FINANCIAL INFORMATION REQUIRED BY GOEA

The Governor's Office of Elderly Affairs (GOEA) has required the Council to present as schedules the information on pages 70 and 71. This information will be used by GOEA to verify the accuracy of information submitted by the Council during the year to help GOEA monitor certain compliance requirements set forth in the grants that it has with the Council.

AN ANALYSIS OF THE COUNCIL AS A WHOLE USING GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table reflects condensed information on the Council's assets, liabilities, and net assets:

	2005	2004	Increase (Decrease)
Current and Other Assets:			
Current Assets	\$ 159,964	\$ 135,443	\$ 24,521
Other Assets	7,742	13,084	(5,342)
Capital Assets, net of depreciation	85,061	101,075	(16,014)
Total Assets	252,767	249,602	3,165
Current Liabilities	19,979	12,302	7,677
Total Liabilities	19,979	12,302	7,677
Net Assets:			
Invested in Capital Assets	85,061	101,075	(16,014)
Restricted	34,480	20,950	13,530
Unrestricted	113,247	115,275	(2,028)
Total Net Assets	\$ 232,788	\$ 237,300	\$ (4,512)

As of June 30, 2005 and 2004, the Council "as a whole" had assets greater than its liabilities of \$232,788 and \$237,300, respectively. These amounts do not differ very much and indicate the Council's financial position at the end of this year is about the same as it was at the end of last year.

About 48.6% and 48.5% of the Council's total net assets are unrestricted as of June 30, 2005 and 2004, respectively. Unrestricted net assets are important so that the Council will have resources available to adapt to changes in the economy, emergencies, unexpected needs and reduction in or termination of grant revenues by government agencies.

The Council's restricted net assets represent about 14.8% and 8.8% of the Council's total net assets as of June 30, 2005 and 2004, respectively. Net assets are reported as restricted when the constraints placed upon the assets' use are either (a) externally imposed by a grantor, contributor, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

The net assets that have been invested in capital assets are presented net of any related outstanding debt to acquire them. For the year presented, there is not any debt to be subtracted from the capital asset amount. The Council's policy is to acquire capital assets by paying cash and avoiding debt. This policy helps assure management will stay within its financial means so that future revenues will be spent for client services instead of debt service.

Current liabilities include \$ 10,337 and \$10,333 payable to Capital Area Agency on Aging, as of June 30, 2005 and 2004.

The following table is a condensed presentation of the revenues and expenses that produced the change in net assets for fiscal years 2005 and 2004.

Revenues	2005	% of Total	2004	% of Total
Program Revenues:				
Charges for services	\$ 103,185	13.93%	\$ 110,882	14.63%
Operating Grants and Contributions	551,876	74.48%	572,332	75.50%
General Revenues:				
Unrestricted Grants and Contributions	70,206	9.47%	72,079	9.51%
Other General Revenues	15,718	2.12%	2,792	0.37%
Total Revenues	740,985	100.00%	758,085	100.00%
Direct Program Expenses of the Health, Welfare, and Social Services Function:				
Supportive Services:				
Transportation of the elderly	138,102	18.52%	144,487	18.67%
Other supportive services	30,221	4.05%	35,090	4.53%
Transportation Services-non-elderly	293,449	39.36%	273,818	35.38%
Nutrition Services:				
Congregate Meals	54,447	7.30%	47,208	6.10%
Home-delivered Meals	54,643	7.33%	53,154	6.87%
Food bank and vouchers	12,503	1.68%	16,449	2.13%
Fundraiser for Home-delivered meals	1,112	0.15%	-	0.00%
Other Health, Welfare & Social Services	15,614	2.09%	10,696	1.38%
Direct Administrative Expenses	145,406	19.50%	192,983	24.94%
Total Expenses	745,497	100.00%	773,885	100.00%
Excess of expenses over revenues before special items	(4,512)		(15,800)	
Special item-Gain on sale of vehicles	-		24,710	
Increase (Decrease) in Net Assets	(4,512)		8,910	
Net assets, beginning of year	237,300		228,390	
Net assets, end of year	\$ 232,788		\$ 237,300	

For fiscal year 2005, the Council's total revenues decreased \$17,100 or 2.25% from fiscal year 2004. Total expenses for 2005 decreased by \$28,388 or 3.7% from 2004. The small changes in the dollar amounts and percentages of revenues and expenses from 2004 to 2005 indicate the Council did not obtain or lose any significant sources of revenues, nor was it able to expand its revenue base. Generally, unless new sources of funds are found, or unless the amounts of the grants and contracts are raised, it is difficult for management to expand current levels of service or start new programs. The decrease of \$4,569 in net assets this year indicates the Council, as a "whole entity" operated about "break-even." Compared to its decrease in net assets before the "special item" (\$15,800) that occurred in 2004, the Council controlled its costs a little better in 2005.

For fiscal year 2004, the gain on the sale of vehicles, which resulted in the Council showing an increase in net assets, is reported as a special item because it is an event that is infrequent in occurrence, but within our control. By reporting the sale of vehicles this way, we are better able to see how the Council is performing without the infrequent event. Without the gain generated by this special item, the Council would have had an overall decrease in net assets of \$15,800 for FY 2004.

AN ANALYSIS OF GOVERNMENTAL ACTIVITIES

When reviewing the government-wide Statement of Activities, there are relationships that are important to the understanding of the Council's operations. As you can see, the Council's largest activities are elderly and non-elderly transportation and nutrition services. The Council's main focus is to meet the nutritional needs of the elderly citizens of Washington Parish and to provide transportation for all Parish residents. There is a high demand for these services; therefore, resources are channeled to meet the demand.

Another indication of how money is used efficiently can be analyzed by comparing the amount of administration costs from year to year, as well as calculating the percentage administration expenses bears in relation to total expenses. For 2005, total administration expenses were \$145,406, or 19.5% of total expenses, whereas these same expenses were \$192,983, or 24.9% of total expenses in 2004.

Note that most of the governmental activities have more expenses than revenues. This scenario is expected and budgets are prepared accordingly. Traditionally, general revenues are used to cover the excess of expenses over revenues in these activities. There are, however, several governmental activities that do have revenues in excess of expenditures. These are discussed below.

The Council's grants from Capital Area Agency on Aging (CAAA) are paid based on a contract amount per unit of service provided, up to a maximum number of units, for specified program activities. The Council was able to provide the required units of Information & Assistance, Telephoning, and Material Aid services at a cost that was less than their contracted reimbursement amounts. The net revenues in these programs were used to help offset the net expenses in other supportive service programs. The Council was also able to provide the required units of Family Caregiver Support, and Disease Prevention and Health Promotion program services at an overall cost, which was less than their contracted amounts. These programs' net revenues of \$74 and \$35, respectively, were transferred to the General Fund.

Utility assistance, which is also shown as a Supportive Service on the Statement of Activities, is funded primarily by contributions made through various utility companies and public support. These contributions can only be used to pay for utility bills for certain needy people who meet the guidelines to receive assistance. In a given year, the amount of contributions received in this program may exceed the demand from qualified recipients. Net revenues from these contributions can only be used to provide utility assistance in future years.

As explained earlier, the net revenues of \$27,006 related to transportation services for the non-elderly were used to help offset the net expenses of \$113,309 incurred by the elderly transportation program.

The Prescription Drug Discount Card program was started this year when the Council received a \$15,000 grant from Ogilvy Public Relations Worldwide, Inc. However, the Council did not spend all of the grant funds this year and had net revenue of \$5,056 that will be carried to next year to pay for expenses of the program.

AN ANALYSIS OF THE COUNCIL'S FUNDS USING GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund Balances

As of June 30, 2005, the Council showed a combined governmental fund balance of \$134,969 (as shown on the Fund Financial Statement's Balance Sheet on page 19), which is an increase of \$19,920 over the prior year. The General Fund increased by \$12,886 this year, and the combined fund balances of the Special Revenue Funds increased by \$7,034.

Revenues

The combined fund revenues decreased \$16,716 this year versus last year, as shown in the table below.

	FY 05	FY 04	Increase/ (Decrease)	
			Amount	Percent
Intergovernmental	\$ 554,313	\$ 579,012	\$ (24,699)	-4.27%
Public Support	73,377	64,962	8,415	12.95%
Program Service Fees	97,485	110,882	(13,397)	-12.08%
Interest Income	196	184	12	6.52%
Miscellaneous	15,998	3,045	12,953	425.39%
Total Revenues	\$ 741,369	\$ 758,085	\$ (16,716)	-2.21%

Most of the Council's activities are funded by federal, state, and local grants. These grants, which comprise the Council's intergovernmental revenues, amounted to approximately 74.8 % and 76.4% of the Council's total revenues in 2005 and 2004, respectively. Most of these grants are restricted, which means the money can only be used in certain programs. The amount of annual funding from the grants the Council receives remains rather constant from year to year; however, some grant amounts may change based upon the level of service provided by the Council under the terms of the particular grant award.

The \$24,699 decrease in intergovernmental revenue in 2005 was because the Council spent \$21,415 less in the EFSP program in 2005 than it did in 2004. The Council recognizes revenue in the ERFSP program only if eligible expenses are incurred. Because less money was spent in 2005 than 2004, the Council's revenues were also less.

The Council also receives public support in the form of restricted and unrestricted donations from its clients and the general public. The Council also holds various fundraisers, some of which are held for specific purposes and generate restricted public support. Public support allows the Council to maintain and expand services. Public support revenues represented 9.9% and 8.6% of the Council's total revenues in fiscal years 2005 and 2004, respectively. In 2005, the Council held a "March for Meals" fundraiser that raised \$9,826 of gross revenues restricted for the Council's Home-delivered Meals program. The Council did not have this fundraiser in 2004. Also, in 2005, the Council received a grant of \$15,000 from Ogilvy Public Relations Worldwide, Inc. for the purpose of helping the Council enroll senior citizens in a prescription drug discount card program. This grant is the main reason that public support increased in FY 2005.

Program service fees were 13.2% and 14.6% of the Council's total revenues for 2005 and 2004, respectively. As explained earlier, fees paid for non-elderly transportation only partially offset the deficits in the elderly transportation program. Program service fees from the Council's STEP program, formerly referred to as "Find Work," represented 82% and 62% of the Council's program service fees in 2005 and 2004, respectively. In 2004 the program service fees from transporting attorneys working on the Gaylord Chemical litigation were \$19,100 in 2004 whereas those fees decreased to \$720 in 2005 because the litigation ended. Also, in 2004 the Council generated \$5,171 of program service fees from renting medic alert units, but discontinued this service in 2005.

Miscellaneous revenues increased in FY 2005 over 2004 as a result of the Council receiving \$8,739 of insurance premium refunds and an increase in rental income of \$5,309.

Expenditures

Total expenditures decreased by \$30,315 this year, as shown in the table below.

	FY 05	FY 04	Increase/ (Decrease)	
			Amount	Percent
Personnel	\$ 421,915	\$ 427,016	\$ (5,101)	-1.19%
Fringe	69,364	69,423	(59)	-0.08%
Travel	6,962	7,836	(874)	-11.15%
Operating Services	96,131	114,493	(18,362)	-16.04%
Operating Supplies	61,449	53,659	7,790	14.52%
Other Costs	34,592	30,415	4,177	13.73%
Meals	24,444	35,888	(11,444)	-31.89%
Rent Assistance	0	59	(59)	N/A
Utility Assistance	6,592	6,440	152	2.36%
Intergovernmental	0	6,535	(6,535)	-100.00%
	<u>\$ 721,449</u>	<u>\$ 751,764</u>	<u>\$ (30,315)</u>	<u>-4.03%</u>

The decrease in operating service expenditures is primarily attributable to decreases in equipment rental (\$7,175), telephone (\$4,987), and utilities (\$8,966). Operating Supplies showed an increase in FY 2005 primarily due to rising gasoline costs. Meal costs fluctuate based on the amount of EFSP funds the Council has available each year, and in FY 2005 the Council did not have as much EFSP money available to buy meals in FY 2005 as it did in FY 2004.

The intergovernmental expenditure in FY 2004 represents the 20% match that the Council had to pay for a van that it helped the Town of Franklinton acquire under a FTA grant but which the Council will get the right to use in its operations. This type of expenditure does not occur every year.

AN ANALYSIS OF THE GENERAL FUND BUDGET

Over the course of this past fiscal year, the budget was amended one time. The amendment was approved at a Board of Directors meeting on January 27, 2005. The amendment effectively approves any expenditure that had already been incurred that exceeded its original budgeted amount. The primary reasons for amending the budget are to account for unanticipated changes in both revenues and expenditures and to prevent compliance violations under the Council's grants from GOEA and Capital Area Agency.

A schedule presenting the original and amended budgets for the General Fund can be found in the Supplementary Financial Information Required by GASB Statement 34 section of this report on page 58. When reviewing the budget versus actual schedule, the reader will note that, even though some of the variances are rather large, the net favorable variance is \$6,051. Some of the reasons for the overall favorable variance are: (1) nothing was budgeted for restricted public support revenue but the Council held the March for Meals fundraiser in April (after the budget was amended) and raised \$9,826, (2) the gross program service fees for providing non-elderly transportation were \$16,056 more than expected, (3) miscellaneous income was \$10,010 more than expected primarily due to the Council having received \$8,739 of insurance premium refunds that it did not expect to receive, (4) personnel and related fringe benefit expenses were \$21,640 less than management expected, (5) transfers of funds from other funds were \$34,229 less than expected, and (6) transfers to other funds were \$19,410 more than management expected. Differences in the transfer amounts reflect variances in the budgets of the other funds that have created larger than expected deficits that had to be cleared out by the end of the fiscal year by using General Fund money.

AN ANALYSIS OF CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of the year, the Council had \$85,061, in capital assets net of accumulated depreciation. This amount is a net decrease versus last year of \$16,014, which is the current year's depreciation expense.

Capital Assets, Net of Depreciation

	FY 2005	FY 2004	Increase (Decrease)
Vehicles	\$ 16,007	\$ 27,295	\$ (11,288)
Equipment	2,044	3,942	(1,898)
Building and Improvements	58,010	60,838	(2,828)
Land	9,000	9,000	0
	<u>\$ 85,061</u>	<u>\$ 101,075</u>	<u>\$ (16,014)</u>

There were no capital assets additions during FY 2005 or 2004. There were no capital asset deletions in 2005, however, four fully depreciated vehicles were sold during FY 2004. The Council had three vans titled to the Council at the end of the fiscal year. The Council also had the use of nine additional vans for which the Council paid the grant match but which are titled to the Town of Franklinton, the governmental agency that received the grant. These nine vans are not included in the capital assets of the Council.

The Council expects to receive 2 vans in FY 2006. One of the vans is being purchased through a Rural Development grant that the Washington Parish Council (WPC) has with the State of Louisiana. The Town of Franklinton, under an FTA grant that is being administered through the Louisiana DOTD, is purchasing a second van. The Council has already put up the required matching funds of \$6,535 to enable the Town to fulfill its portion of the FTA grant. The Council will not have to put up any "matching" funds for the van being acquired by the WPC.

More detailed information can be found about the Council's capital assets in Notes 1 and 4 to the financial statements.

The Council has no long-term debt related to its capital assets and does not like to incur any as a matter of policy.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Council receives most of its funding from federal and state agencies. Because of this, the source of income for the Council is rather steady. However, some of the Council's grants and contracts are contingent upon the level of services provided by the Council, and therefore, revenues may vary from year to year. In setting its initial budget for fiscal year 2006, it was important to management that at least the same level of service be delivered to clients and the public as were provided in FY 2005. All the Council's grants and contracts from the usual federal and state agencies have been approved for FY 2006. There have been no significant changes to the funding levels or terms of the grants and contracts. Accordingly, the initial budget has been set to provide the same programs and levels of service next year. CAAA has also approved the Council's budget for next year. There are no plans to add or discontinue any programs for next year.

As previously mentioned, the Council plans to buy another van next year to maintain a fleet of reliable vehicles. The Council's match for the van will cost approximately \$7,200. This expenditure has been factored into next year's budget.

On August 29, 2005 Washington Parish was hit by hurricane Katrina that caused major damage to it and several parishes in south Louisiana. Specifically, the hurricane damaged the roof and contents of the Council's main office in Franklinton, permanently damaged the meal site at Enon, and temporarily damaged the meal site at Pine. Because the Council was not fully operational for several weeks following the hurricane, it has not been able to provide "units of service" in a usual manner. The Council receives its revenue under several government programs based on the number and types of services that it provides. As a result, the Council will need to "make up" units of service or it may not be able to earn the full amount of its contracts in FY 2006. Management intends to continue to deliver services to the Parish's elderly as it has done in the past and try to "make up" for the units of service deficit caused by the hurricane. In addition, management plans to "stay the course" for FY 2006 until budget cuts at the federal, state, or local governments that provide the Council its money are made that might cause the Council to have to reduce its services. Management believes the Council's unrestricted net assets plus the financial assistance the Council expects to get from FEMA and the Washington Parish Council will help the Council absorb the immediate adverse financial effects of the hurricane.

CONTACTING THE COUNCIL'S MANAGEMENT

Our financial report is designed to provide government agencies and the general public an overview of the Council's finances and to demonstrate accountability for the money that it receives. If you have any questions about this report or wish to ask for more information, you should contact Nancy McBeth, Executive Director at 1025 Dobson Street, Franklinton, Louisiana, 70438 or by phone at (985) 839-4535.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Washington Council on the Aging, Inc.
Franklinton, Louisiana

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Council on the Aging, Inc., Franklinton, Louisiana, (the Council) as of and for the year ended June 30, 2005, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Council as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 2, 2005, on my consideration of the Council's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The Management's Discussion and Analysis on pages 1 through 12 and budgetary comparison schedules on pages 60 through 66 are supplementary information required by accounting principles generally accepted in the United States of America. The accompanying Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds and the Comparative Schedule of Capital Assets and Changes in Capital Assets are presented for purposes of additional analysis as required by the Governor's Office of Elderly Affairs. None of the required supplementary financial information is required to be a part of the Council's basic financial statements. However, all of this supplementary information has been subjected to the auditing procedures I applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Baton Rouge, Louisiana,
September 2, 2005.

Neil Ferrari, CPA

Neil G. Ferrari, CPA

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EXHIBIT A

STATEMENT OF NET ASSETS
Washington Council on the Aging, Inc.
Franklinton, Louisiana
June 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash	\$ 73,544
Receivables:	
Capital Area Agency on Aging	27,673
Office of Family Support	5,629
Town of Franklinton	23,278
Other Entities	993
Prepaid expenses	22,312
Deposit towards van purchase	6,535
Total current assets	159,964
Capital assets, net of accumulated depreciation	85,061
Other Asset - Prepaid expense for vehicle usage	7,742
Total Assets	<u>252,767</u>
LIABILITIES	
Current Liabilities:	
Accounts payable to CAAA	10,337
Accounts payable to various vendors	6,094
Deferred revenue - EFSP	3,529
Advances from funding agency - CAAA	19
Total current liabilities	<u>19,979</u>
NET ASSETS	
Invested in Capital Assets	85,061
Restricted for:	
Utility Assistance	9,331
Nutrition Services - Home-delivered Meals	20,093
Prescription Drug Discount Cards	5,056
Unrestricted	113,247
Total Net Assets	<u>\$ 232,788</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

EXHIBIT B

STATEMENT OF ACTIVITIES

Washington Council on the Aging, Inc.
Franklinton, Louisiana
For the year ended June 30, 2005

Functions/Programs	Program Revenues					Net (Expense) Revenue and Increase (Decrease) in Net Assets
	Direct Expenses	Indirect Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities						
Health, Welfare & Social Services:						
Supportive Services:						
Transportation of the elderly	\$ 138,102	\$ 35,445	\$ 0	\$ 60,238	\$ 0	\$ (113,309)
Homemaker	17,832	4,750	0	14,709	0	(7,873)
Information and Assistance	2,469	658	0	5,224	0	2,097
Outreach	2,039	544	0	2,295	0	(288)
Material Aid	46	13	0	989	0	930
Telephoning	1,244	331	0	2,640	0	1,065
Utility Assistance	6,591	0	0	8,845	0	2,254
Transportation Services - non elderly:						
Job Access	98,518	24,722	0	95,601	0	(27,639)
General Public	194,931	48,681	103,185	195,072	0	54,645
Nutrition Services:						
Congregate Meals	54,447	14,190	0	62,483	0	(6,154)
Home Delivered Meals	54,643	10,781	0	59,493	0	(5,931)
Food bank & vouchers	12,503	0	0	12,503	0	0
Fundraiser for Home Delivered Meals	1,112	0	0	9,826	0	8,714
Disease Prevention and Health Promotion	2,976	751	0	3,762	0	35
Family Caregiver Support	1,124	274	0	1,472	0	74
Prescription Drug Discount Cards	9,944	0	0	15,000	0	5,056
Senior Citizen Activities	1,374	0	0	476	0	(898)
Finance Charges	196	0	0	0	0	(196)
Administration	145,406	(141,140)	0	1,248	0	(3,018)
Total governmental activities	\$ 745,497	\$ 0	\$ 103,185	\$ 551,876	\$ 0	\$ (90,436)
General Revenues:						
Grants and contributions not restricted to specific programs					70,206	
Interest Income					196	
Facility rental					6,783	
Miscellaneous					8,739	
Total general revenues						85,924
Increase (Decrease) in net assets						(4,512)
Net assets - beginning of the year						237,300
Net assets - end of the year						<u>\$ 232,788</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

EXHIBIT C

FUND BALANCE SHEET
GOVERNMENTAL FUNDSWashington Council on the Aging, Inc.
Franklinton, Louisiana
June 30, 2005

	General Fund	Title III B	Title III C: 1	Title III C: 2	Section 5311	JARC	EFSP	Non-Major Funds	Total Governmental Funds
ASSETS									
Cash	\$ 49,582	\$ 0	\$ 0	\$ 1,937	\$ 0	\$ 0	\$ 7,617	\$ 14,408	\$ 73,544
Receivables:									
Capital Area Agency on Aging	0	12,063	10,787	4,729	0	0	0	94	27,673
Office of Family Support	5,629	0	0	0	0	0	0	0	5,629
Town of Franklinton	0	0	0	0	11,845	11,433	0	0	23,278
Other Entities	993	0	0	0	0	0	0	0	993
Prepaid expenditures	17,296	0	0	0	0	0	0	0	17,296
Deposit towards van purchase	6,535	0	0	0	0	0	0	0	6,535
Due from other governmental funds	42,829	0	0	0	0	0	0	0	42,829
Total Assets	\$ 122,864	\$ 12,063	\$ 10,787	\$ 6,666	\$ 11,845	\$ 11,433	\$ 7,617	\$ 14,502	\$ 197,777
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable to CAAA	0	0	63	6,186	0	0	4,088	0	10,337
Accounts payable to various vendors	2,282	1,783	588	480	0	955	0	6	6,094
Deferred revenue - EFSP	0	0	0	0	0	0	3,529	0	3,529
Advances from funding agency - CAAA	0	0	0	0	0	0	0	19	19
Due to other governmental funds	0	10,280	10,136	0	11,845	10,478	0	90	42,829
Total Liabilities	2,282	12,063	10,787	6,666	11,845	11,433	7,617	115	62,808
Fund Balances									
Reserved, reported in:									
General Fund:									
Prepaid expenditures	17,296	0	0	0	0	0	0	0	17,296
Home-delivered meals	20,093	0	0	0	0	0	0	0	20,093
Encumbrance - vehicle purchase	6,535	0	0	0	0	0	0	0	6,535
Unreserved/Undesignated, reported in:									
General Fund	76,658	0	0	0	0	0	0	0	76,658
Special Revenue Funds	0	0	0	0	0	0	0	14,387	14,387
Total Fund Balances	120,582	0	0	0	0	0	0	14,387	134,969
Total Liabilities and Fund Balances	\$ 122,864	\$ 12,063	\$ 10,787	\$ 6,666	\$ 11,845	\$ 11,433	\$ 7,617	\$ 14,502	
Amounts reported for governmental activities in the statement of net assets are different because:									
- Prepaid expenses relating to vehicle usage are not financial resources and therefore are not reported as assets in the governmental funds									12,758
- Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds									85,061
Net Assets of Governmental Activities									\$ 232,788

The accompanying notes to the basic financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Washington Council on the Aging, Inc.

Franklinton, Louisiana

For the year ended June 30, 2005

	General Fund	Title III B	Title III C-1	Title III C-2	Section 5311	JARC	EFSP	Nonmajor Funds	Total Governmental Funds
REVENUES									
Intergovernmental:									
Capital Area Agency on Aging (CAAA)	\$ 0	\$ 85,160	\$ 40,207	\$ 48,307	\$ 0	\$ 0	\$ 0	\$ 6,482	\$ 180,156
Governor's Office of Elderly Affairs	21,048	0	0	0	0	0	0	37,829	58,877
United Way of America	0	0	0	0	0	0	18,907	0	18,907
Town of Franklinton	0	0	0	0	195,072	95,601	0	0	290,673
City of Bogalusa	3,600	0	0	0	0	0	0	0	3,600
Washington Parish Council	2,100	0	0	0	0	0	0	0	2,100
Public Support (Restricted):									
Client contributions	0	1,212	22,276	4,727	0	0	0	0	28,215
Various utility companies	0	0	0	0	0	0	0	8,200	8,200
Ogilvy Public Relations Worldwide, Inc.	0	0	0	0	0	0	0	15,000	15,000
Other donors	9,826	0	0	275	0	0	0	150	10,251
Public Support (Unrestricted):									
United Way	7,805	0	0	0	0	0	0	0	7,805
Generated by various fundraisers	579	0	0	0	0	0	0	0	579
Other general public donations	3,327	0	0	0	0	0	0	0	3,327
Program Service Fees (charges for services):									
Transportation:									
Office of Family Support	79,869	0	0	0	0	0	0	0	79,869
Public Fares	9,176	0	0	0	0	0	0	0	9,176
Other Entities	8,440	0	0	0	0	0	0	0	8,440
Interest Income	196	0	0	0	0	0	0	0	196
Miscellaneous:									
Rental of facilities	6,783	0	0	0	0	0	0	0	6,783
Insurance premium refunds	8,739	0	0	0	0	0	0	0	8,739
Miscellaneous	476	0	0	0	0	0	0	0	476
Total revenues	161,964	86,372	62,483	53,309	195,072	95,601	18,907	67,661	741,369
EXPENDITURES									
Health, Welfare, & Social Services:									
Current:									
Personnel	136,490	119,922	51,071	29,664	0	74,047	0	10,721	421,915
Fringe	24,755	20,529	6,392	5,017	0	11,781	0	890	69,364
Travel	1,165	3,189	1,079	627	0	410	0	492	6,962
Operating Services	38,833	27,544	5,136	5,799	0	16,765	52	2,002	96,131
Operating Supplies	23,552	17,120	2,196	6,852	0	10,595	377	757	61,449
Other Costs	15,487	8,756	2,282	1,468	0	5,180	0	1,419	34,592
Meals	0	0	0	6,186	0	0	18,258	0	24,444
Utility Assistance	0	0	0	0	0	0	220	6,372	6,592
Total expenditures	240,282	197,060	68,156	55,613	0	118,778	18,907	22,653	721,449
Excess of revenues over (under) expenditures	(78,318)	(110,688)	(5,673)	(2,304)	195,072	(23,177)	0	45,008	19,920
OTHER FINANCING SOURCES (USES)									
Operating transfers in	143,406	110,688	5,673	2,304	0	23,177	0	541	285,789
Operating transfers out	(52,202)	0	0	0	(195,072)	0	0	(38,515)	(285,789)
Net increase (decrease) in fund balances	12,886	0	0	0	0	0	0	7,034	19,920
FUND BALANCE (DEFICIT)									
Beginning of year	107,696	0	0	0	0	0	0	7,353	115,049
End of year	\$ 120,582	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,387	\$ 134,969

The accompanying notes to the basic financial statements are an integral part of this statement.

EXHIBIT E**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental
Funds to the Statement of Activities****Washington Council on the Aging, Inc.
Franklinton, Louisiana****For the year ended June 30, 2005**

Net Increase (Decrease) in Fund Balances - Total Governmental Funds	\$	19,920
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Governmental funds report the amounts the Council expends as local "matching" funds on capital assistance grants, which result in another government obtaining title to the capital assets acquired under the grants, as intergovernmental expenditures. However, because the Council gets to use the capital assets in lieu of having paid the required local match, the Council records the amounts it paid in the Statement of Net Assets as a prepaid expense, which will be amortized over the estimated useful lives of the capital assets. This reconciling amount represents the amount by which the amortization expense (\$8,418) exceeded intergovernmental expenditures (\$0) this year.

(8,418)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$16,014) exceeds capital outlays (\$0) in this year.

(16,014)

Increase (Decrease) of Net Assets of Governmental Activities	\$	<u>(4,512)</u>
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The accompanying notes to the basic financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Washington Council on the Aging, Inc.
Franklinton, Louisiana
June 30, 2005

Note 1 - PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Washington Council on the Aging, Inc. (the Council) conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The following is a summary of certain significant accounting policies used by the Council:

a. Purpose of the Council on Aging

The purpose of the Council is to collect facts and statistics and make special studies of conditions pertaining to the employment, financial status, recreation, social adjustment, mental and physical health or other conditions affecting the welfare of the aging people in Washington Parish; to keep abreast of the latest developments in these fields of activity throughout Louisiana and the United States; to interpret its findings to the citizens of the parish and state; to provide for the mutual exchange of ideas and information on the parish and state level; to conduct public meetings; to make recommendations for needed improvements and additional resources; to promote the welfare of aging people; to coordinate and monitor services with other local agencies serving the aging people of the parish; to assist and cooperate with the Governor's Office of Elderly Affairs (GOEA), Capital Area Agency on Aging- District II, Inc. (CAAA), and other departments of state and local government serving the elderly, and; to make recommendations relevant to the planning and delivery of services to the elderly of the Parish.

Note 1 - PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

a. Purpose of the Council on Aging - (Continued)

Specific services provided by the Council to the elderly residents of Washington Parish include providing congregate and home delivered meals, information and assistance, outreach, utility assistance, homemaker services, recreation, telephoning, material aid, disease prevention & health promotion, enrollment and education about prescription drug discount cards, and family caregiver support. The Council also provides various types of transportation services to the general public of the Washington Parish, with a special emphasis being placed on transporting the elderly and those persons requiring job access and job training.

b. Reporting Entity

In 1964, the State of Louisiana passed Act 456 authorizing the charter of a voluntary council on aging for the welfare of the aging people in each parish of Louisiana. In 1979, the Louisiana Legislature created the Governor's Office of Elderly Affairs (GOEA) (La. R.S. 46:931) with the specific intention that GOEA administer and coordinate social services and programs for the elderly population of Louisiana through sixty-four parish voluntary councils on aging.

Before a council on aging can begin operations in a specific parish, its application for a charter must receive approval from GOEA pursuant to Louisiana Revised Statute (La. R.S.) 46:1602. Each council on aging in Louisiana must comply with the state laws that apply to quasi-public agencies, as well as the policies and regulations established by GOEA.

The Washington Council on the Aging, Inc. (the Council) is a legally separate, non-profit, quasi-public corporation. The Council received its charter from the Governor of the State of Louisiana on October 5, 1971, and subsequently incorporated on December 15, 1972 under the provisions of Title 12, Chapter 2 of the Louisiana Revised Statutes.

Note 1 – PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

b. Reporting Entity – (Continued)

A board of directors, consisting of 15 voluntary members, who serve three-year terms, governs the Council. The board of directors is comprised of, but not limited to, representatives of the Parish's elderly population, general public, private businesses, and elected public officials. Board members are elected in the following manner:

- Eleven members, who are at least 60 years old, shall be elected by the membership to represent seven different communities of Washington Parish.
- The Washington Parish Council and various public agencies, which serve the elderly, shall appoint four members.

The Washington Parish Council does not appoint a voting majority of the Council on Aging's board and the Parish Council does not intend to impose its will to affect the operations of the Council on Aging. Further, the Washington Parish Council does not provide any specific financial benefits and does not assume any specific financial burdens of the Council on Aging. As a result, the Council on Aging is not a component unit of the Washington Parish Council.

Membership in the Council is open at all times, without restriction, to all residents of Washington Parish who have reached the age of 60, and who express an interest in the Council and wish to contribute to or share in its programs. Associate memberships shall be granted to those persons who have not yet reached the age of 60 but serve on committees of the Council. Membership fees are not charged.

Note 1 – PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

b. Reporting Entity – (Continued)

Based on the criteria set forth in GASB Statement 14, *The Financial Reporting Entity*, the Council is not a component unit of another primary government, nor does it have any component units that are related to it. In addition, based on the criteria set forth in this statement, the Council has presented its financial statements as a stand-alone, special-purpose government; accordingly, it is applying the provisions of Statement 14 as if it were a primary government.

c. Basis of Presentation of the Basic Financial Statements

The Council's basic financial statements consist of "government-wide" financial statements on all activities of the Council, which are designed to report the Council as a whole entity, and "fund" financial statements, which purpose are to report individual major governmental funds and combined nonmajor governmental funds.

Both the government-wide and fund financial statements categorize primary activities as either "governmental" or "business" type. The Council's functions and programs have all been categorized as "governmental" activities. The Council does not have any business-type activities, fiduciary funds, or any component units that are fiduciary in nature. Accordingly, the government-wide financial statements do not include any of these activities or funds.

Note 1 - PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

c. Basis of Presentation of the Basic Financial Statements - (Continued)

Government-Wide Financial Statements:

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities for all activities of the Council. As a general rule, the effect of interfund activity has been eliminated from these statements. The government-wide presentation focuses primarily on the sustainability of the Council as an entity and the change in its net assets (financial position) resulting from the activities of the current fiscal year. Governmental activities are supported primarily by intergovernmental revenues.

In the government-wide Statement of Net Assets only one column of numbers has been presented. The amounts are presented on a consolidated basis and represent only governmental type activities.

The Statement of Net Assets has been prepared on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Council's functions and significant programs. Many functions and programs are supported by general government revenues like intergovernmental revenues and unrestricted public support, particularly if the function or program has a net cost. The Statement of Activities begins by presenting gross direct and indirect expenses that include depreciation, and then reduces the expenses by related program revenues, such as charges for services, operating and capital grants, and contributions, to derive the net cost of each function or program. Program revenues must be directly associated with the function or program to be used to directly offset its cost. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The Council did not receive any capital-specific grants this year.

Note 1 – PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

c. Basis of Presentation of the Basic Financial Statements – (Continued)

Direct expenses reported in the Statement of Activities are those that are clearly identifiable with a specific function or program, whereas, the Council allocates its indirect expenses among various functions and programs in accordance with OMB Circular A-87. The Statement of Activities shows this allocation in a separate column labeled "indirect expenses."

In the Statement of Activities, charges for services represent program revenues obtained by the Council when it renders services provided by a specific function or program to people or other entities. Contributions, grants, interest income, and miscellaneous revenues that are not properly included among program revenues are reported instead as general revenues in this statement. Special items, if any, are significant transactions within the control of management that are either unusual in nature or infrequent in occurrence and are separately reported below general revenues.

Fund Financial Statements:

The fund financial statements present financial information very similar to that which was included in the general-purpose financial statements issued by governmental entities before Statement No. 34 required the format change.

The daily accounts and operations of the Council continue to be organized using funds and account groups. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain governmental functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

Note 1 – PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

c. Basis of Presentation of the Basic Financial Statements – (Continued)

The Council uses governmental fund types. The focus of the governmental funds' measurement (in the fund statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. An additional emphasis is placed on major funds within the governmental fund types. A fund is considered major if it is the primary operating fund of the Council or if its total assets, liabilities, revenues, or expenditures are at least 10% of the corresponding total for all funds of that category or type. The nonmajor funds are summarized by category or fund type into a single column in the fund financial statements.

Governmental fund equity is called the fund balance. Fund balance is further classified as reserved and unreserved, with unreserved being further split into designated and undesignated. Reserved means that the fund balance is not available for expenditure because resources have already been expended (but not consumed), or a legal restriction has been placed on certain assets that makes them only available to meet future obligations. Designated fund balances result when management tentatively sets aside or earmarks certain resources to expend in a designated manner. In contrast to reserved fund balances, designated amounts can be changed at the discretion of management.

The following is a description of the governmental funds of the Council:

The General Fund is the primary operating fund of the Council. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Note 1 – PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

c. Basis of Presentation of the Basic Financial Statements – (Continued)

The following is a brief description of the programs that comprise the Council's General Fund:

Local

The Council receives revenues that are not required to be accounted for in a specific program or fund. Accordingly, these revenues have been recorded in the local program of the General Fund. These funds are unrestricted and may be used at the Council's discretion. Expenditures to acquire fixed assets, and expenditures for costs not allowed by another program due to budget limitations or the nature of the expenditures, are charged to the local program. Because of their unrestricted nature, local funds are often transferred to other programs to eliminate deficits in cases where the expenditures of the other programs exceeded their revenues.

PCOA

PCOA funds are appropriated for the Council by the Louisiana Legislature and remitted to the Council via the Governor's Office of Elderly Affairs. The Council may use these "Act 735" funds at its discretion provided the program is benefiting people who are at least 60 years old. In fiscal year 2005, the Council transferred its PCOA funds to the Title III B, Title III D, and Title III E funds to pay for program expenditures.

**Note 1 - PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - (Continued)**

c. Basis of Presentation of the Basic Financial Statements - (Continued)

Fundraisers

The Council held some fundraisers during the year for the purpose of raising additional operating funds and to promote community awareness about the needs of the elderly population within Washington Parish. The primary fundraiser was the "March for Meals" event held on April 29, 2005 for the purpose of raising money solely for the Council's Home-delivered meals program. The Council "netted" \$8,714 from this event. A couple of other small fundraisers were held during the year to raise money for unrestricted purposes. The Council "netted" \$196 from them. The combined gross proceeds from all the fundraisers were \$10,405 and the related direct costs were \$1,495.

Transportation

The Council provides a variety of transportation services to the residents of Washington Parish who are not 60 years old for a fee. Transportation services provided to residents who are at least 60 years old are accounted for in the transportation program of the Title III B Fund and those related to job access (irrespective of age) are accounted for in the JARC Fund. All other transportation services are accounted for in the "Transportation" program of the General Fund. Most of the people who receive transportation services in this program are under 60 years old and do not qualify for free transportation services under one of the Council's grant programs.

Note 1 - PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

c. Basis of Presentation of the Basic Financial Statements - (Continued)

The Council has established several special revenue funds. The following are brief descriptions of the purpose of each special revenue fund and their classification as either a major or nonmajor governmental fund:

Major Governmental Funds:

Title III B Fund

The Title III B Fund accounts for funds used to provide various units of supportive social services to the elderly. GOEA has established the criteria for a qualifying unit of service for each Title III program. Specific supportive services, along with the number of units provided during the fiscal year, are as follows:

	<u>Units</u>
Information and Assistance	683
Outreach	468
Homemaker	1,105
Telephoning	3,164
Transportation for people age 60 or older	10,924
Material aid	420
Utility assistance	37

Title III C-1 Fund

The Title III C-1 Fund accounts for funds used to provide nutritional, congregate meals to people age 60 or older in strategically located centers throughout Washington Parish. The Council maintains meal-sites in Franklinton, Pine, Enon, and Bogalusa. During the year the Council provided 31,542 meals to people eligible to participate in this program. The Council also provided 96 units of nutrition education under this program.

Note 1 – PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

c. Basis of Presentation of the Basic Financial Statements – (Continued)

Title III C-2 Fund

The Title III C-2 Fund accounts for funds used to provide nutritional meals to homebound people who are age 60 or older. During the year the Council provided 39,714 home-delivered meals. The Council also provided 168 units of nutrition education under this program.

Section 5311 Fund

The Section 5311 Fund was established to account for funds under the U.S. Department of Transportation's Public Transportation Operating Assistance Program for Nonurbanized Areas. The Louisiana Department of Transportation and Development (DOTD) receives these funds for the State of Louisiana and passes them through to the Council via the Town of Franklinton. Funds earned and received by the Council are based on actual operating costs of providing transportation services to rural residents within Washington Parish. Section 5311 funds are used as operating transfers to help pay for costs incurred in providing transportation services under the Council's various transportation programs.

JARC Fund

The JARC Fund was established to account for funds relating to the Job Access-Reverse Commute (JARC) program established by the Federal Transit Administration's Department of Transportation. The purpose of the JARC program is to improve "job access" by developing and financing transportation services to connect welfare recipients and low-income persons to employment and support services. The other component of JARC is "reverse commute." The Council does not provide any "reverse commute" services because Washington Parish is considered 100% rural. The Louisiana Department of Transportation and Development (DOTD) receives the JARC funds for the State of Louisiana and passes them through to the Council via the Town of Franklinton.

Note 1 - PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

c. Basis of Presentation of the Basic Financial Statements - (Continued)

JARC Fund - (Continued)

The Council earns JARC funds based on actual operating costs. In addition, the JARC program limits the amount of cost reimbursement to 50% of the actual costs incurred to provide the program services. Accordingly, the Council obtained a Temporary Assistance for Needy Families (TANF) grant. Some of the objectives of the TANF grant are consistent with the objectives of the JARC grant. Accordingly, the Council was able to use the TANF funds as the required matching funds to obtain the JARC grant. The Louisiana Department of Social Services (DSS)- Office of Family Support (OFS) receives the TANF funds for the State of Louisiana and passes them through to the Council via the Town of Franklinton. TANF funds are also earned by the Council based on actual operating costs incurred.

The TANF program was established by the U.S. Department of Health and Human Services' Administration for Children and Families to provide time-limited assistance to needy families with children so that the children can be cared for in their own homes or in the homes of relatives; to end dependence of needy parents on government benefits by promoting job preparation, work, and marriage; to prevent and reduce out-of-wedlock pregnancies, including establishing prevention and reduction goals; and to encourage the formation and maintenance of two-parent families.

EFSP Fund

The EFSP Fund is used to account for the administration of the Emergency Food and Shelter National Board Program (EFSP), the purpose of which is to supplement food and shelter assistance to individuals who might currently be receiving assistance, as well as to assist those who are not receiving any. Funds are provided by the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) to the United Way of America, which in turn "passes through" the funds to the Council. A local board working with Washington Parish's local United Way agency assists the Council in obtaining EFSP funds. During the fiscal year, \$5,756 of

Note 1 – PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

c. Basis of Presentation of the Basic Financial Statements – (Continued)

EFSP Fund – (Continued)

EFSP funds were used to supplement the home delivered meals program by providing approximately 2,000 additional meals. Utility assistance of \$219 was provided to one person; food vouchers totaling \$4,666 were distributed to 40 people to help them buy food; and \$7,837 was donated to the Bogalusa Help Center to provide shelf stable meals for the community's food bank.

Nonmajor Governmental Funds:

Title III D Fund

The Title III D Fund accounts for funds used for disease prevention and health promotion (wellness) activities. During the year the Council provided 5,355 units of wellness service and 171 units of medication management to eligible participants.

Title III E Fund

The Title III E Fund accounts for funds relating to the National Family Caregiver Support program. The National Family Caregiver Support program provides multifaceted systems of support services for family caregivers and for grandparents or older individuals who are relative caregivers. This program targets older, low-income individuals. Specific types of services that can be provided by this program include: Adult Day Care, Adult Health Care, Material Aid, Case Management, Personal Care, Counseling, Support Groups, Respite Care, Sitter Service, Information, and Assistance.

Note 1 – PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

c. Basis of Presentation of the Basic Financial Statements – (Continued)

Title III E Fund – (Continued)

Eligible participants include (1) adult family members, or another adult person, who provides uncompensated in-home and community care to an older person who needs supportive services or (2) grandparents, or a person 60 years of age or older, who is related to a child by blood or marriage and (1) lives with the child, (2) is the primary caregiver, and (3) has a legal relationship to the child or is raising the child informally. During the year, the Council provided 21 units of information and assistance and 6 units of public education under this program.

Senior Center Fund

The Senior Center Fund is used to account for the administration of Senior Center program funds appropriated by the Louisiana Legislature to GOEA, which in turn "passes through" the funds to the Council. The purpose of this program is to provide community service centers where elderly people can receive supportive social services and participate in activities which foster their independence, enhance their dignity, and encourage their involvement in and with the community. The Council maintains four senior centers in Washington Parish. Senior Center funds can be used at management's discretion to support any of the Council's programs, which benefit the elderly. Accordingly, during the year, management transferred all the Senior Center funds to the Title III B Fund to subsidize that fund's cost of providing transportation services to elderly persons.

Supplemental Senior Center Fund

The Louisiana Legislature appropriated additional money for various councils on aging throughout the state to be used to supplement the primary state grant for senior centers. The Council was one of the parish councils to receive a supplemental grant of \$3,825. The Governor's Office of Elderly Affairs provided these funds to the Council. The money received by this fund during the year was transferred to the Title III B Fund to offset the cost of providing transportation services to the elderly.

Note 1 - PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

c. Basis of Presentation of the Basic Financial Statements - (Continued)

Audit Fund

The Audit Fund is used to account for funds that are to be used as a subsidy to pay for the cost of having an annual audit of the Council's financial statements. The cost of the audit was \$12,992 whereas the subsidy was \$1,248. The excess audit expense of \$11,744 was allocated as an indirect cost amongst other funds. GOEA provides audit supplement funds to the Council via the CAAA.

Utility Assistance Fund

This fund is used to account for the administration of the utility assistance programs sponsored by local utility companies. The companies collect contributions from service customers and remit the funds to the parish councils on the aging throughout the state to provide assistance to the elderly for the payment of utility bills. The contributions can only be used to pay for direct services. However, the Council is able to keep 7% of any CLECO funds for administrative purposes. During the year, the Council provided funds to 30 different people to assist them with paying their utility bills. The maximum amount of assistance a person can receive in one year is usually limited to \$300.

Prescription Drug Discount Card Fund

This fund is used to account for the administration of a special grant the Council received from Ogilvy Public Relations Worldwide, Inc. for the purpose of enrolling senior citizens in a Medicare-approved prescription drug discount card program. The Council's staff has promoted the program to obtain as many enrollees as possible, assist senior citizens with the application process, and educate them on the benefits of the drug discount card and how to use it. Enrollees were given a \$600 credit to use against prescription drug purchases as an incentive to enroll in the program. As of June 30, 2005, the Council had enrolled approximately 980 people.

Note 1 – PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

d. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

- **Government-wide Financial Statements – Accrual Basis**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

- **Fund Financial Statements – Modified Accrual Basis**

Governmental fund level financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. A current financial resources measurement focus means that only current assets and current liabilities are generally included on the fund balance sheet. The operating statements of the funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenues to be available if they are collected within 60 days of the current fiscal year end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred, if measurable, except for the following: (1) unmatured principal and interest on long-term debt, if any, are recorded when due, and (2) claims, judgments, and compensated absences are recorded as expenditures when paid with expendable available financial resources. Depreciation and amortization are costs that are not recognized in the governmental funds.

**Note 1 - PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - (Continued)**

e. Interfund Activity

In the fund financial statements, interfund activity is reported as either loans or transfers. Loans between funds are reported as interfund receivables (due from) and payables (due to) as appropriate. Transfers represent a permanent reallocation of resources between funds. In other words, they are not expected to be repaid.

Transfers between funds are netted against one another as part of the reconciliation of the change in fund balances in the fund financial statements to the change in net assets in the government-wide financial statements.

f. Cash

Cash includes not only currency on hand, but demand deposits with banks or other financial institutions.

For the purposes of the Statement of Net Assets, restricted cash are amounts received or earned by the Council with an explicit understanding between the Council and the resource provider that the resource would be used for a specific purpose.

g. Receivables

The financial statements for the Council do not contain an allowance for uncollectible receivables because management believes all amounts will be collected. However, if management becomes aware of information that would change its assessment about the collectibility of any receivable, management would write off the receivable as a bad debt at that time.

**Note 1 - PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - (Continued)**

h. Prepaid Expenses/Expenditures

Prepaid expenses include amounts paid in advance for goods and services. Prepaid expenses are shown as either current or other assets on the government-wide Statement of Net Assets, depending on when management expects to realize their benefits.

In the fund financial statements, the Council has elected not to include amounts paid for future goods and services as expenditures until those services are consumed. This method of accounting for prepaid expenditures helps assure the Council's management that costs incurred will be reported in accordance with the Council's cost reimbursement grants. These types of grants do not permit the Council to obtain reimbursement for qualified expenditures until the goods and services relating to them are consumed. As a result, the prepaid expenditures are shown as an asset on the balance sheet of the fund financial statements until they are consumed. In addition, a corresponding amount of the fund balance of the General Fund has been reserved to reflect the amount of fund balance not currently available for expenditure.

The Council does not follow its general policy of recording prepaid expenditures in the fund financial statements in cases where intergovernmental expenditures for vehicle matching payments are subsequently capitalized and amortized in the government-wide statements as prepaid expenses to better present the economics of this type of transaction and not distort the results of the Council's transportation activities in the *Statement of Activities*.

**Note 1 - PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - (Continued)**

i. Capital Assets:

The accounting and reporting treatment used for property, vehicles, and equipment (capital assets) depends on whether the capital assets are reported in the government-wide financial statements or the fund financial statements.

Government-Wide Financial Statements

Capital assets are long-lived assets purchased or acquired with an original cost of at least \$1,000 and have an estimated useful life of greater than one year. When purchased or acquired, these assets are recorded as capital assets in the government-wide statement of Net Assets. If the asset was purchased, it is recorded in the books at its cost. If the asset was donated, then it is recorded at its estimated fair market value at the date of donation. Capital assets will also include major repairs to equipment and vehicles that significantly extend the asset's useful life. Routine repairs and maintenance are expensed as incurred.

For capital assets recorded in the government-wide financial statements, depreciation is computed and recorded using the straight-line method for the asset's estimated useful life. The Council follows a guideline issued by the State of Louisiana's Office of Statewide Reporting and Accounting to establish the useful lives of the various types of capital assets that are depreciated and the method used to calculate annual depreciation. Using this guideline, the estimated useful lives of the various classes of depreciable capital assets are as follows:

Equipment - other than computers	6 to 10 years
Vehicles	5 years
Computer equipment	5 years
Building and improvements	40 years

When calculating depreciation, the State's guideline assumes that capital assets will not have any salvage value and that a full year's worth of depreciation will be taken in the year the capital assets are placed in service or disposed.

Note 1 – PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

i. Capital Assets: - (Continued)

Fund Financial Statements

In the fund financial statements, capital assets used in the Council's operations are accounted for as capital outlay expenditures of the governmental fund that provided the resources to acquire the assets. Depreciation is not computed or recorded on capital assets for purposes of the fund financial statements.

j. Non-Current (Long-term) Liabilities

The accounting treatment of non-current liabilities depends on whether they are reported in the government-wide or fund financial statements. In the government-wide financial statements, all non-current liabilities that will be repaid from governmental resources are reported as liabilities in the government-wide statements. The Council did not have any non-current liabilities at year-end. In the fund financial statements, non-current liabilities for governmental funds are not reported as liabilities or presented anywhere else in these statements.

k. Unpaid Compensated Absences

The Council's annual and sick leave policy requires employees to consume any annual or sick leave they might earn within the Council's fiscal year. In other words, an employee must "use or lose" any earned leave on or before June 30th of every year. As a result, the Council has not accrued a liability for any unused leave in the financial statements.

The Council's management has this policy to minimize the Council's exposure to a liability for which the Council may not have the funds to pay.

Note 1 – PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

l. Deferred Revenue

The Council reports deferred revenues on both the Statement of Net Assets (government-wide) and the Balance Sheet of the fund financial statements. Deferred revenues arise when the Council receives resources before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In subsequent periods, when the Council has a legal claim to the resources, the liability for deferred revenue is removed from the Statement of Net Assets and the Balance Sheet, whichever the case might be, and the revenue is recognized.

m. Advances From Funding Agency

Advances from funding agency represent unexpended balances of grants awarded to the Council that are required to be returned to the funding agency at the end of the grant period. Grant funds due back to the funding agency are recorded as a liability when the amount due becomes known, normally when a final accounting is submitted to the funding agency.

n. Net Assets in the Government-wide Financial Statements

In the government-wide Statement of Net Assets, the Net Asset amount is classified and displayed in three components:

- Invested in capital assets – This component consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. At year-end the Council did not report any borrowings that were related to capital assets.
- Restricted net assets – This component consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Note 1 - PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - (Continued)**

n. Net Assets in the Government-wide Financial Statements - (Continued)

- Unrestricted net assets – This component consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets."

When both restricted and unrestricted resources are available for use, the Council's policy is to use restricted resources first to finance its activities, except as follows:

- In cases where the Council holds fundraisers or solicits donations for the specific purpose of generating local public support for a specific program, the Council will use the restricted donations after it has first used up any grant funds and program income. This is the case with the net assets that are restricted for home-delivered meals. That money was raised from home-delivered meals fundraisers and also includes restricted donations from "Lifetime Supporters" who want their donations specifically used for home-delivered meals. The restricted funds will be used to prevent unforeseen cuts in government grants from adversely affecting the home-delivered meals program.

o. Fund Equity – Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund Balance may be further classified as reserved and unreserved, with unreserved further split into designated and undesignated. Reserved means the Council has "reserved" portions of its fund balance that are not available for expenditure because resources have already been expended (but not consumed), or a legal restriction has been placed on certain assets which make them only available to meet future obligations.

Designated fund balances result when the Council's management intends to expend certain resources in a designated manner. Designations of fund balances can be changed at the discretion of the Council's Board of Directors. There were no designated fund balances at year-end.

Note 1 - PURPOSE OF THE COUNCIL ON AGING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

p. Management's Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

q. Allocation of Indirect Expenses

The Council reports all direct expenses by function and programs of functions in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function or program. Indirect expenses are recorded as direct expenses of the Administration function. The net cost of the Administration function is allocated using a formula based primarily on the relationship the direct cost a program bears to the direct cost of all programs. There are some programs that cannot absorb any indirect expense allocation according to their grant or contract restrictions.

r. Elimination and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Note 2 - Revenue Recognition

Revenues are recorded in the government-wide financial statements when they are earned under the accrual basis of accounting.

Revenues are recorded in the fund financial statements using the modified accrual basis of accounting. In applying the susceptible to accrual concept using this basis of accounting, intergovernmental grant revenues, program service fees (charges for services), and interest income are usually both measurable and available. However, the timing and amounts of the receipts of public support and miscellaneous revenues are often difficult to measure; therefore, they are generally recorded as revenue in the period received.

Note 3 - Cash Management, Bank Deposits and Investments

The Council maintains a consolidated bank account to deposit most of the funds it receives and to pay its bills. The consolidated bank account is available for use by all funds; however, EFSP funds are managed through a separate bank account. The purpose of the consolidated account is to reduce administration costs and facilitate cash management. The consolidated account also allows those funds with available cash resources to temporarily cover any negative cash balances in other funds.

As described in Louisiana law, the Council is classified as a quasi-governmental entity. Accordingly, the Council is not required to comply with Louisiana laws relating to the collateralization of bank deposits and investments. However, it is the Council's policy to follow state law in an effort to minimize risks associated with bank deposits that exceed those currently covered by FDIC insurance.

Cash is reported at its carrying amount, which equals its fair value. At year-end, the carrying amount of the Council's cash balances on the books was \$73,544, which includes \$100 of petty cash, whereas the bank balances totaled \$98,330. The difference in the book and bank balances relates primarily to deposits made and checks written which had not cleared the bank accounts by year-end. At year-end, all bank balances (\$98,330) were covered 100% by federal depository insurance.

Exhibit F
(Continued)

Note 3 - Cash Management, Bank Deposits and Investments - (Continued)

For purposes of the Statement of Net Assets, the cash balance of \$73,544 is comprised of restricted cash of \$34,480 and unrestricted cash of \$39,064. The restricted cash amount also equals the sum of the restricted net assets in this statement. The Council has presented restricted cash as current assets in the Statement of Net Assets because it is available for use in current operations.

The Council had no assets that would be classified as an investment at year-end.

Note 4 - Changes in Capital Assets

A summary of changes in capital assets is as follows:

Capital Assets Being Depreciated	Balance June 30, 2004	Additions	Decreases	Balance June 30, 2005
Vehicles	\$ 56,439	\$ 0	\$ 0	\$ 56,439
Equipment	24,507	0	0	24,507
Buildings & Improvements	113,131	0	0	113,131
Land	9,000	0	0	9,000
Total Capital Assets	203,077	0	0	203,077
Less Accumulated Depreciation:				
Vehicles	29,144	11,288	0	40,432
Equipment	20,565	1,898	0	22,463
Buildings & Improvements	52,293	2,828	0	55,121
Land	0	0	0	0
Total Accumulated Depreciation	102,002	16,014	0	118,016
Capital Assets Net of Depreciation	\$ 101,075	\$ (16,014)	\$ 0	\$ 85,061

None of the above amounts includes any donated asset. Also, the Council's management has reviewed the capital assets and does not believe any of them to have been impaired as of year-end.

Exhibit F
(Continued)

Note 4 - Changes in Capital Assets - (Continued)

Depreciation was charged to governmental activities as follows:

Administration	\$ 4,726
Supportive Services:	
Transportation of the Elderly	2,187
Nutrition Services:	
Home delivered meals	3,284
Transportation Services:	
Job Access	2,115
General Public	<u>3,702</u>
Total depreciation expense for governmental activities	<u>\$ 16,014</u>

The \$4,276 of depreciation associated with the administration function relates to capital assets that essentially serve all functions. Accordingly, it is included as a direct expense of the administration function on the Statement of Activities and then allocated to other functions in accordance with the Council's method of allocating indirect expenses. The other depreciation amounts (\$11,738) are charged as direct expenses to their related functions on the Statement of Activities.

Note 5 - Prepaid Expenditures and Expenses

At year-end, prepaid expenditures in the Fund Balance Sheet consisted of the following:

Insurance premiums	\$ 16,828
Equipment rent	155
Software lease	<u>313</u>
Total prepaid expenditures	<u>\$ 17,296</u>

Exhibit F
(Continued)

Note 5 - Prepaid Expenditures and Expenses - (Continued)

At year-end, prepaid expenses in the Statement of Net Assets consisted of the following:

	Current Portion	Noncurrent Portion
Insurance premiums	\$ 16,828	\$ 0
Equipment rent	155	0
Software lease	313	0
Vehicle usage	5,016	7,742
Total prepaid expenses	<u>\$ 22,312</u>	<u>\$ 7,742</u>

The current portion of prepaid expenses represents the amounts management expects the Council to consume and economically benefit from in the next fiscal year. The noncurrent portions represent the amounts that will be amortized in future years based on an agreement the Council has in effect with the Town of Franklinton for using its vehicles.

The difference between prepaid expenditures and prepaid expenses arises from transactions wherein the Council on Aging (COA) puts up all the "matching funds" under capital assistance grants the Town of Franklinton (Town) enters into with the Louisiana Department of Transportation and Development (DOTD) to acquire vehicles that the COA will use to provide public transportation to the general public of Washington Parish. The vehicles are titled in the name of the Town, but the COA uses the vehicles for its transportation programs and must pay for all the operating costs. The funds the COA expends for the grant match are first recorded as a deposit in its Fund Balance Sheet and Statement of Net Assets when the funds are remitted to DOTD. Upon delivery of the vehicle to the COA, the deposit is reversed as an intergovernmental expenditure in the COA's fund financial statements. However, in the government-wide financial statements, the deposit is reclassified as a prepaid expense and amortized over the estimated useful life of the vehicle (60 months). The COA's management believes presenting the van match transactions in this manner in the government-wide financial statements will best present the economics of this type of transaction. No written lease exists between the Town and the COA that sets forth the terms of the agreement to use the Town's vehicles. However, this type of cooperative agreement to provide public transportation to the residents of Washington Parish has been used for many years.

Note 6 – Fund Balances – Fund Financial Statements

Usually, the fund balances of the special revenue funds are cleared out at year-end to comply with the administration and accounting policies of the grantor agencies that have awarded the Council certain grants. However, there are exceptions to this policy.

At year-end, a special revenue fund, the Utility Assistance Fund, had a remaining fund balance of \$9,331. The fund balance represents restricted contributions that have not been spent in accordance with the restrictions placed upon them by the utility companies that solicited the contributions from their customers and subsequently passed them on to the Council. The Council's management has elected to separately account for the utility assistance contributions in a special revenue fund to ensure accountability. Utility assistance fund balances are common amongst council on aging entities. Utility assistance is a supportive service rendered under the Council's Title III B program. Rather than commingle the accounting of the receipts and disbursements of the utility assistance within the Title III B fund, GOEA prefers that councils on aging use a separate fund that can facilitate the monitoring of the Title III B activity separately from the utility assistance activities.

Also, another special revenue fund, the Prescription Drug Discount Card Fund, had a remaining fund balance of \$5,056. Based on the terms of the grant, the Council had earned the full amount of the grant as of year-end, but had not spent all of the money. The Council intends to use the unspent funds to continue its promotion, enrollment, and education activities under this program. Accordingly, the unspent funds will remain in this fund until they are consumed.

The Council's General Fund includes "reserved" amounts for prepaid expenditures, an encumbrance relating to a vehicle purchase commitment, and unspent restricted contributions for home-delivered meals.

Exhibit F
(Continued)

Note 7 - FTA - Public Transportation For Nonurbanized Areas - Section 5311

The Louisiana Department of Transportation and Development (DOTD) contracts with the Town of Franklinton to provide rural public transportation services to the people of Washington Parish under a Section 5311 grant. Washington Parish is considered to be 100% rural. The Council is a subrecipient of the grant in that it provides the services for the Town of Franklinton. The Council earned and received \$195,072 under the "Section 5311" grant during this fiscal year. Total rural transportation costs incurred by the Council were \$407,141. These costs were funded as follows:

Section 5311	\$ 195,072
Local funds	953
Title III B federal grant funds	25,085
City of Bogalusa	3,600
Public fares	9,176
Title III B participant donations	905
Transporation program fees from:	
Office of Family Support (STEP)	79,869
Various local entities and agencies	8,440
State funding:	
PCOA	20,507
Title III B state match funds	4,172
State transportation	21,533
Senior Center & supplemental funds	<u>37,829</u>
Total	<u>\$ 407,141</u>

The state project number for the Section 5311 grant was 741-59-0111 and the federal project number was LA-18-X022.

Note 8 - In-Kind Contributions

The Council received a variety of in-kind contributions during the year, but does not record the fair value of them in its government-wide and fund financial statements, except for the donation of capital assets. In the case of a donation of a capital asset, accounting principles for governmental entities require the fair value of a donated capital asset be recorded in the Statement of Activities at the time of acquisition. However, these same principles do not permit the recording of the fair value of capital assets (or other in-kind contributions) in the fund financial statements because of the measurement focus of such statements.

The Council received in-kind contributions during the year that consisted of free use of the meal sites at Pine and Enon. Management estimates the value of the free use of each of the meal sites at \$250 per month. If these in-kind contributions had been recorded in the Statement of Activities their annual allocation would have been \$6,000 for Nutrition Services – Congregate Meals. The Council also received an in-kind contribution in the form of "free" utilities at its Bogalusa Senior Center. The City of Bogalusa began paying the monthly utility bill for this center in October 2004. The utilities average about \$800 per month. The utilities benefit all programs administered by the Council. In addition, the Council is only required to pay \$1 per year for using the Bogalusa Senior Center. Accordingly, there is an in-kind element in the lease of this center because the fair value of the rental is worth much more than \$1 per year. No amount has been determined as the in-kind for the difference in the fair value of the rent and \$1.

The Council on Aging (COA) also receives in-kind support for its transportation programs. The COA has a fleet of 12 vehicles that it uses to provide public transportation in Washington Parish. Of the 12 vehicles, the Town of Franklinton (Town) owns 9 and the COA owns 3. The nine vehicles owned by the Town were all acquired under capital assistance grants wherein the federal government paid for 80% of the vehicle's cost and the remainder had to be paid for with local "matching" funds. The COA put up all the money for the local match so that the Town could acquire the vehicles. In return, the Town permits the COA to use the vehicles as long as they are operational. Therefore, the COA is receiving an in-kind contribution from the Town for the use of the nine vehicles owned by the Town.

Note 8 - In-Kind Contributions - (Continued)

Management has estimated the in-kind use of the Town's vehicles to be \$33,674 for the fiscal year. The estimate was derived by first determining the amount the federal government paid for its share of the "match" for each of the nine vehicles. Then, the amount of federal match for each vehicle was amortized from the date at which the COA began using each vehicle using a 60-month estimated useful life. The amount for the period July 1, 2004 through June 30, 2005 was deemed to be the value of the Town's in-kind contribution for vehicle usage. If the in-kind contribution for the vehicles had been recorded in the Statement of Activities, the allocation amongst the Council's transportation programs would have been \$11,378 for Elderly Transportation, \$16,252 for General Public Transportation, and \$6,044 for Job Access Transportation.

Note 9 - Board of Directors' Compensation

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member. However, board members can request reimbursement for out-of-pocket expenses in accordance with the Council's travel policy when traveling on behalf of the Council.

Note 10 - Income Tax Status

The Council, a non-profit corporation, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, and as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax.

The Council does not file a Form 990 because it has been determined to be an "affiliate of a governmental unit" within the meaning of Section 4 of Revenue Procedure 95-48, 1995-2 C.B. 418.

Note 11 - Judgments, Claims, and Similar Contingencies

There is no litigation pending against the Council as of year-end. Furthermore, the Council's management believes that any potential lawsuits would be adequately covered by insurance or resolved without any material impact upon the Council's financial statements.

Note 12 - Contingencies - Grant Programs

The Council participates in a number of state and federal grant programs, which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Council has not complied with the rules and regulations governing the grants, refunds of any money received and the collectibility of any related receivable at year-end may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the Council.

Note 13 - Economic Dependency

The Council receives the majority of its revenue from other governments in the form of intergovernmental revenues. Intergovernmental type revenues are appropriated each year by the federal, state, and local governments. If significant budget cuts are made at the federal, state and/or local level, the amount of funds the Council receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Council will receive in fiscal year 2006 relating to its usual sources of intergovernmental revenues, except that the state government is likely to cut its budget for FY 2006 in response to Hurricane Katrina. At this time, management is unable to predict how much the state budget cut, if any, will affect the Council's revenues for FY 2006.

Note 14 - Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters. The Council has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage from the prior year. No settlements were made during the current or prior three fiscal years that exceeded the Council's insurance coverage.

Note 14 - Risk Management – (continued)

The Council's management has not purchased commercial insurance or made provision to cover or reduce the risk of loss, as a result of business interruption and certain acts of God, like floods or earthquakes.

Note 15 - Deferred Compensation Plan

The Council and its qualified employees participate in the State of Louisiana's Public Employees Deferred Compensation Plan, which is a nonqualified deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Great-West Life and Annuity Insurance Company administers the plan. The Plan is available to all Council employees who have worked at least six months. The Plan permits participating employees to defer up to the lesser of (1) 100% of their compensation or (2) \$13,000 (\$16,000 if over 50 years of age) per year. In addition, the Council will "match" one-half of any percentage less than or equal to 6% of a participant's deferral amount. All amounts contributed to the Plan by the employees and the Council are non-forfeitable thereby making them 100% vested by the employees. During the fiscal year, \$9,546 was contributed to the Plan via employee salary deferrals. The Council contributed \$4,541 as its matching share. The Plan does not meet the definition of a fiduciary fund; accordingly, the Council has not reported any amounts in these financial statements. Participation in the deferred compensation plan is at the option of each employee. The Council does not guarantee the benefits of any amounts contributed to the insurance company.

Note 16 - Encumbrance (Purchase Commitment)

The Council has agreed to provide the matching funds (20% of the total cost) for a vehicle that will be purchased under a federal public transportation capital assistance program. The vehicle purchase contract is between the Town of Franklinton and the Louisiana Department of Transportation and Development (DOTD). Because the Council will contribute the required matching funds, the Town of Franklinton will allow the Council to use the vehicle for the Council's transportation programs. In July 2004 DOTD requested and the Council paid \$6,535 as its matching deposit towards the purchase of the vehicle. Because of this purchase commitment, the Council has encumbered (reserved) \$6,535 of its fund balance as of June 30, 2005. Management expects the vehicle to be delivered in the latter part of fiscal year 2006.

Note 17 - Lease Commitment

On June 5, 2003 the Council entered into a joint endeavor agreement with the City of Bogalusa (the City) wherein the Council leases from the City a building known as the Bogalusa Senior Center. The initial term of the lease is for 5 years and will renew automatically for another 5 year term provided the Council is in compliance with the terms of the agreement and the Council has not given notice that it does not want to renew the lease. The annual lease payment is \$1. Terms of the lease require the Council to (1) pay for all the utilities of operating the building, (2) pay for repairs that costs less than \$301, (3) be responsible for daily maintenance and cleaning, and (4) furnish property and liability insurance coverage for the building and the Council's personal property contained therein. Note that beginning in October 2004, the City relieved the Council of paying for the monthly utilities for this location and began paying them on behalf of the Council.

Note 18 - Interfund Receivables and Payables - Fund Financial Statements

Because the Council operates its programs under cost reimbursement type grants, it has to pay for costs using its General Fund money and then request reimbursement for the advanced costs under the grant programs. Such advances create short-term interfund loans. A summary of these interfund loans, at year-end, is as follows:

Exhibit F
(Continued)

Note 18 - Interfund Receivables and Payables - Fund Financial Statements - (Continued)

	<u>Receivable From</u>	<u>Payable To</u>
General Fund:		
Major Funds:		
Title III B	\$ 10,280	\$ 0
Title III C-1	10,136	0
Section 5311	11,845	
JARC	10,478	
Nonmajor Funds in the aggregate	90	0
Totals for the General Fund	\$ 42,829	\$ 0
Major Funds:		
Title III B:		
General Fund	0	10,280
Title III C-1:		
General Fund	0	10,136
Section 5311:		
General Fund	0	11,845
JARC:		
General Fund	0	10,478
Nonmajor Funds in the aggregate:		
General Fund	0	90
Totals for All Funds	\$ 42,829	\$ 42,829

Note 19 - Related Party Transactions

There were no related party transactions during the fiscal year.

Exhibit F
(Continued)

Note 20 - Interfund Transfers

Operating transfers to and from the various funds are as follows for the fiscal year:

	<u>Operating Transfers</u>	
	<u>In From</u>	<u>Out To</u>
General Fund:		
Title III B Fund	\$ 0	\$ 20,507
Title III C-1 Fund	0	5,673
Title III C-2 Fund	0	2,304
Section 5311 Fund	142,720	0
JARC Fund	0	23,177
Nonmajor Funds in the aggregate	686	541
Total General Fund	<u>143,406</u>	<u>52,202</u>
Title III B-Fund:		
General Fund	\$ 20,507	\$ 0
Section 5311 Fund	52,352	0
Nonmajor Funds in the aggregate	37,829	0
Total Title III B Fund	<u>110,688</u>	<u>0</u>
Title III C-1 Fund:		
General Fund	\$ 5,673	\$ 0
Total Title III C-1 Fund	<u>5,673</u>	<u>0</u>
Title III C-2 Fund:		
General Fund	\$ 2,304	\$ 0
Total Title III C-1 Fund	<u>2,304</u>	<u>0</u>
Section 5311 Fund:		
General Fund	\$ 0	\$ 142,720
Title III B Fund	0	52,352
Total Section 5311 Fund	<u>0</u>	<u>195,072</u>
JARC Fund:		
General Fund	\$ 23,177	\$ 0
Total JARC Fund	<u>23,177</u>	<u>0</u>
Nonmajor Funds in the aggregate:		
General Fund	\$ 541	\$ 686
Title III B Fund	0	37,829
Total for Nonmajor Funds	<u>541</u>	<u>38,515</u>
Grand Totals	<u>\$ 285,789</u>	<u>\$ 285,789</u>

Note 20 - Interfund Transfers - (Continued)

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (b) shift unrestricted revenues collected in the General Fund and certain Special Revenue Funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 21 - Subsequent Event

On August 29, 2005 hurricane Katrina hit Washington Parish inflicting damage to the Parish, including the Council's facilities. Presently, there is no way for management to know precisely how the hurricane damage will affect the Council's financial position and ability to deliver its usual program services in FY 2006 and future years. However, management believes that the Council has sufficient financial and other resources that will enable the Council to adequately recover and resume many of its program services to pre-Katrina levels. Based on the information available to management at this time, here is a summary of the known and expected damages that the Council has suffered to its property and operations:

- FY 2006 revenues could be less than budgeted because management might not be able to provide the units of service or incur the costs that generate the revenue under the various contracts and grants the Council has with other agencies.
- The State of Louisiana will likely make a budget cut and this might cause the agencies that provide the Council with intergovernmental type revenues to cut the amount of funds the Council was expected to receive in FY 2006. Management is unable to predict the total revenue loss at this time.
- The Council has and will incur unexpected expenses, some of which will be reimbursed by other agencies and some the Council will have to absorb. The amounts cannot be determined at this time.
- The property damages caused by the hurricane to the Council's main office should be covered adequately by insurance so that the Council's loss will be minimal.

SUPPLEMENTARY FINANCIAL INFORMATION REQUIRED BY GASB 34

Budgetary Comparison Schedule - General Fund

**Washington Council on the Aging, Inc.
Franklinton, Louisiana**

For the year ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental:				
Governor's Office of Elderly Affairs	\$ 21,048	\$ 21,048	\$ 21,048	\$ 0
City of Bogalusa	3,600	3,600	3,600	0
Washington Parish Council	0	1,500	2,100	600
Public Support - restricted	0	0	9,826	9,826
Public Support - unrestricted	12,626	11,400	11,711	311
Program Service Fees	85,894	81,429	97,485	16,056
Interest Income	1,140	500	196	(304)
Miscellaneous	3,996	5,988	15,998	10,010
Total Revenues	<u>128,304</u>	<u>125,465</u>	<u>161,964</u>	<u>36,499</u>
EXPENDITURES				
Current:				
Personnel	156,819	151,008	136,490	14,518
Fringe	33,095	31,877	24,755	7,122
Travel	196	160	1,165	(1,005)
Operating Services	45,914	43,686	38,833	4,853
Operating Supplies	26,565	28,857	23,552	5,305
Other Costs	4,615	7,885	15,487	(7,602)
Total Expenditures	<u>267,204</u>	<u>263,473</u>	<u>240,282</u>	<u>23,191</u>
Excess of expenditures over revenues	<u>(138,900)</u>	<u>(138,008)</u>	<u>(78,318)</u>	<u>59,690</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	173,744	177,635	143,406	(34,229)
Transfers out	<u>(34,844)</u>	<u>(32,792)</u>	<u>(52,202)</u>	<u>(19,410)</u>
Total other financing sources and uses	<u>138,900</u>	<u>144,843</u>	<u>91,204</u>	<u>(53,639)</u>
Net increase (decrease) in fund balance	<u>\$ 0</u>	<u>\$ 6,835</u>	<u>12,886</u>	<u>\$ 6,051</u>
FUND BALANCE				
Beginning of year			107,696	
End of year			<u>\$ 120,582</u>	

See notes to required supplementary information.

Budgetary Comparison Schedule - Title III B Fund

**Washington Council on the Aging, Inc.
Franklinton, Louisiana
For the year ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
Capital Area Agency on Aging - District II, Inc.	\$ 85,160	\$ 85,160	\$ 85,160	\$ 0
Public Support	2,998	2,577	1,212	(1,365)
Total Revenues	88,158	87,737	86,372	(1,365)
EXPENDITURES				
Current:				
Personnel	139,318	132,769	119,922	12,847
Fringe	27,607	26,318	20,529	5,789
Travel	2,101	3,181	3,189	(8)
Operating Services	33,608	31,644	27,544	4,100
Operating Supplies	19,115	20,705	17,120	3,585
Other Costs	3,577	3,490	8,756	(5,266)
Capital Outlay	75	57	0	57
Total Expenditures	225,401	218,164	197,060	21,104
Excess of expenditures over revenues	(137,243)	(130,427)	(110,688)	19,739
OTHER FINANCING SOURCES (USES)				
Transfers in	137,243	130,427	110,688	(19,739)
Transfers out	0	0	0	0
Total other financing sources and uses	137,243	130,427	110,688	(19,739)
Net increase (decrease) in fund balance	\$ 0	\$ 0	0	\$ 0
FUND BALANCE				
Beginning of year			0	
End of year			\$ 0	

See notes to required supplementary information.

Budgetary Comparison Schedule - Title III C-1 Fund

**Washington Council on the Aging, Inc.
Franklinton, Louisiana
For the year ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental:				
Capital Area Agency on Aging - District II, Inc.	\$ 40,207	\$ 40,207	\$ 40,207	\$ 0
Public Support	20,106	22,899	22,276	(623)
Total Revenues	<u>60,313</u>	<u>63,106</u>	<u>62,483</u>	<u>(623)</u>
EXPENDITURES				
Current:				
Personnel	42,349	49,163	51,071	(1,908)
Fringe	4,873	5,648	6,392	(744)
Travel	720	575	1,079	(504)
Operating Services	8,570	5,600	5,136	464
Operating Supplies	2,480	2,579	2,196	383
Other Costs	909	1,450	2,282	(832)
Capital Outlay	412	101	0	101
Total Expenditures	<u>60,313</u>	<u>65,116</u>	<u>68,156</u>	<u>(3,040)</u>
Excess of expenditures over revenues	<u>0</u>	<u>(2,010)</u>	<u>(5,673)</u>	<u>(3,663)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	0	2,010	5,673	3,663
Transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources and uses	<u>0</u>	<u>2,010</u>	<u>5,673</u>	<u>3,663</u>
Net increase (decrease) in fund balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
FUND BALANCE				
Beginning of year			<u>0</u>	
End of year			<u>\$ 0</u>	

See notes to required supplementary information.

Budgetary Comparison Schedule - Title III C-2 Fund

**Washington Council on the Aging, Inc.
Franklinton, Louisiana
For the year ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
Capital Area Agency on Aging - District II, Inc.	\$ 48,307	\$ 48,307	\$ 48,307	\$ 0
Public Support	4,736	4,956	5,002	46
Total Revenues	53,043	53,263	53,309	46
EXPENDITURES				
Current:				
Personnel	32,127	30,678	29,664	1,014
Fringe	3,717	3,558	5,017	(1,459)
Travel	986	516	627	(111)
Operating Services	6,905	7,628	5,799	1,829
Operating Supplies	8,489	10,019	6,852	3,167
Other Costs	719	782	1,468	(686)
Meals	0	0	6,186	(6,186)
Capital Outlay	100	82	0	82
Total Expenditures	53,043	53,263	55,613	(2,350)
Excess of expenditures over revenues	0	0	(2,304)	(2,304)
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	2,304	2,304
Transfers out	0	0	0	0
Total other financing sources and uses	0	0	2,304	2,304
Net increase (decrease) in fund balance	\$ 0	\$ 0	0	\$ 0
FUND BALANCE				
Beginning of year			0	
End of year			\$ 0	

See notes to required supplementary information

Budgetary Comparison Schedule - Section 5311 Fund

**Washington Council on the Aging, Inc.
Franklinton, Louisiana
For the year ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
Town of Franklinton	\$ 210,725	\$ 210,725	\$ 195,072	\$ (15,653)
Total Revenues	210,725	210,725	195,072	(15,653)
EXPENDITURES				
Current:				
Personnel	0	0	0	0
Fringe	0	0	0	0
Travel	0	0	0	0
Operating Services	0	0	0	0
Operating Supplies	0	0	0	0
Other Costs	0	0	0	0
Total Expenditures	0	0	0	0
Excess of revenues over expenditures	210,725	210,725	195,072	(15,653)
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	0	0
Transfers out	(210,725)	(210,725)	(195,072)	15,653
Total other financing sources and uses	(210,725)	(210,725)	(195,072)	15,653
Net increase (decrease) in fund balance	\$ 0	\$ 0	0	\$ 0
FUND BALANCE				
Beginning of year			0	
End of year			\$ 0	

See notes to required supplementary information.

Budgetary Comparison Schedule - JARC Fund

**Washington Council on the Aging, Inc.
Franklinton, Louisiana
For the year ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
Town of Franklinton	\$ 120,000	\$ 120,000	\$ 95,601	\$ (24,399)
Total Revenues	120,000	120,000	95,601	(24,399)
EXPENDITURES				
Current:				
Personnel	48,045	45,910	74,047	(28,137)
Fringe	10,128	9,684	11,781	(2,097)
Travel	59	57	410	(353)
Operating Services	13,493	12,834	16,765	(3,931)
Operating Supplies	7,969	8,657	10,595	(1,938)
Other Costs	1,384	1,356	5,180	(3,824)
Total Expenditures	81,078	78,498	118,778	(40,280)
Excess of revenues over (under) expenditures	38,922	41,502	(23,177)	(64,679)
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	23,177	23,177
Transfers out	(38,922)	(41,502)	0	41,502
Total other financing sources and uses	(38,922)	(41,502)	23,177	64,679
Net increase (decrease) in fund balance	\$ 0	\$ 0	0	\$ 0
FUND BALANCE				
Beginning of year			0	
End of year			\$ 0	

See notes to required supplementary information.

Budgetary Comparison Schedule - EFSP Fund

**Washington Council on the Aging, Inc.
Franklinton, Louisiana
For the year ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
United Way of America	\$ 11,350	\$ 22,938	\$ 18,907	\$ (4,031)
Total Revenues	11,350	22,938	18,907	(4,031)
EXPENDITURES				
Current:				
Operating Services	0	0	52	(52)
Operating Supplies	0	0	377	(377)
Meals	11,350	22,000	18,258	3,742
Utility Assistance	0	938	220	718
Total Expenditures	11,350	22,938	18,907	4,031
Excess of revenues over (under) expenditures	0	0	0	0
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	0	0
Transfers out	0	0	0	0
Total other financing sources and uses	0	0	0	0
Net increase (decrease) in fund balance	\$ 0	\$ 0	0	\$ 0
FUND BALANCE				
Beginning of year			0	
End of year			\$ 0	

See notes to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**WASHINGTON COUNCIL ON THE AGING, INC.
FRANKLINTON, LOUISIANA**

FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - BUDGETARY REPORTING

The budget information presented in this section of required supplementary information applies to "major" governmental funds for which annual budgets were adopted. Budgetary information for "nonmajor" funds has not been included anywhere in these financial statements.

The Council follows these procedures in establishing the budgetary data that has been presented as required supplementary information in these financial statements.

- The Capital Area Agency on Aging - District II Inc., (CAAA) notifies the Council each year as to the funding levels for each program's grant award.
- Revenue projections are also made based on grants from GOEA and other agencies, program service fees, public support (including client contributions), interest income, and other miscellaneous sources.
- Expenditure projections are developed using historical information and changes to the upcoming year that management is aware of at the time of budget preparation.
- Once the information regarding projected revenues and expenditures has been obtained, the Council's executive director and bookkeeper prepare a proposed budget based on the projections. The proposed budget is submitted to the Board of Directors for final approval.
- The Board of Directors reviews and adopts the budget for the next fiscal year at a regularly scheduled board meeting before May 31 of the current fiscal year.
- The adopted budget is forwarded to CAAA for compliance approval for the funds it will pass-through to the Council from GOEA.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

- Unused budget amounts lapse at the end of each fiscal year (June 30). However, if a grant or contract is not completed by June 30, management will automatically re-budget funds in the next fiscal year to complete the grant or contract. An example where this might occur is when vehicles are acquired under a federal matching program. The "match" might be made in one year and the vehicle delivered in another year.
- The budget is prepared on a modified accrual basis, consistent with the basis of accounting for governmental funds, for comparability of budgeted and actual revenues and expenditures.
- Budgeted amounts included in the accompanying required supplementary information include the original adopted budget amounts and all subsequent amendments. During the fiscal year, management amended the budget one time. The Council's Board of Directors approved a budget amendment at a regularly scheduled meeting on January 27, 2005 using a procedure similar to the one used to approve the original budget. The budget amendment was sent to CAAA for compliance approval and was subsequently approved.
- Actual amounts are compared to budgeted amounts periodically during the fiscal year as a management control device.
- The Council may transfer funds between line items as often as required but must obtain compliance approval from the CAAA and the Governor's Office of Elderly Affairs for funds received under grants and contracts from these agencies. As a part of their compliance, CAAA and GOEA require management to amend the budget in cases where actual expenditures for a particular line item exceed their budgeted amount by more than 10% unless unrestricted funds are used to "cover" the overrun.
- Budgeted expenditures cannot exceed budgeted revenues on an individual fund level, unless a large enough fund balance exists to absorb the budgeted operating deficit.
- The Council is not required by state or local law to prepare a budget for every program or activity it conducts. Accordingly, some activities may not be budgeted, particularly if they are deemed to be immaterial by management.

**SUPPLEMENTARY FINANCIAL INFORMATION REQUIRED BY
THE GOVERNOR'S OFFICE OF ELDERLY AFFAIRS**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

**Washington Council on the Aging, Inc.
Franklinton, Louisiana
For the year ended June 30, 2005**

	Prescription Discount Drug Cards	Title III D	Title III E	Senior Center	Supple. Senior Center	Audit	Utility Assistance	Totals
<u>REVENUES</u>								
Intergovernmental:								
Capital Area Agency on Aging (CAAA)	\$ 0	\$ 3,762	\$ 1,472	\$ 0	\$ 0	\$ 1,248	\$ 0	\$ 6,482
Governor's Office of Elderly Affairs	0	0	0	34,004	3,825	0	0	37,829
Public Support (Restricted):								
Various utility companies	0	0	0	0	0	0	8,200	8,200
Ogilvy Public Relations Worldwide, Inc.	15,000	0	0	0	0	0	0	15,000
General public donations	0	0	0	0	0	0	150	150
Total revenues	15,000	3,762	1,472	34,004	3,825	1,248	8,350	67,661
<u>EXPENDITURES</u>								
Health, Welfare, & Social Services:								
Current:								
Personnel	6,457	3,068	1,196	0	0	0	0	10,721
Fringe	514	274	102	0	0	0	0	890
Travel	419	69	4	0	0	0	0	492
Operating Services	1,856	108	38	0	0	0	0	2,002
Operating Supplies	698	43	16	0	0	0	0	757
Other Costs	0	140	31	0	0	1,248	0	1,419
Utility Assistance	0	0	0	0	0	0	6,372	6,372
Total expenditures	9,944	3,702	1,387	0	0	1,248	6,372	22,653
Excess of revenues over (under) expenditures	5,056	60	85	34,004	3,825	0	1,978	45,008
<u>OTHER FINANCING SOURCES (USES)</u>								
Operating transfers in	0	348	193	0	0	0	0	541
Operating transfers out	0	(408)	(278)	(34,004)	(3,825)	0	0	(38,515)
Net increase (decrease) in fund balances	5,056	0	0	0	0	0	1,978	7,034
<u>FUND BALANCE (DEFICIT)</u>								
Beginning of year	0	0	0	0	0	0	7,353	7,353
End of year	\$ 5,056	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,331	\$ 14,387

**COMPARATIVE SCHEDULE OF CAPITAL ASSETS
AND CHANGES IN CAPITAL ASSETS**

**Washington Council on the Aging, Inc.
Franklinton, Louisiana
For the year ended June 30, 2005**

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
<u>Capital Assets</u>				
Vehicles	\$ 56,439	\$ 0	\$ 0	\$ 56,439
Equipment	24,507	0	0	24,507
Buildings & improvements	113,131	0	0	113,131
Land	9,000	0	0	9,000
Total capital assets	<u>\$ 203,077</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 203,077</u>
<u>Investment in Capital Assets</u>				
Property acquired with funds from -				
Title III B	\$ 4,502	\$ 0	\$ 0	\$ 4,502
Title III C-1	5,319	0	0	5,319
Title III C-2	20,154	0	0	20,154
Title III D	98	0	0	98
Senior Center	840	0	0	840
FTA	18,024	0	0	18,024
Local	109,140	0	0	109,140
Acquired before 1985	45,000	0	0	45,000
Total investment in capital assets	<u>\$ 203,077</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 203,077</u>

NEIL G. FERRARI

CERTIFIED PUBLIC ACCOUNTANT

14481 OLD HAMMOND HIGHWAY, SUITE 4

BATON ROUGE, LA 70818

(225) 272-1177

MEMBER OF THE
SOCIETY OF LOUISIANA CPAs

MEMBER OF THE
AMERICAN INSTITUTE OF CPAs

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors,
Washington Council on the Aging, Inc.
Franklinton, Louisiana

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Council on the Aging, Inc., Franklinton, Louisiana, (the Council) as of and for the year ended June 30, 2005, which collectively comprise the Council's basic financial statements and have issued my report thereon dated September 2, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Council's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I noted certain matters that I reported to the Council's management in a separate letter dated September 2, 2005.

This report is intended solely for the information and use of the Council's finance committee, board of directors, management, pass-through entities, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Baton Rouge, Louisiana,
September 2, 2005.

A handwritten signature in black ink that reads "Neil Ferrari, CPA". The signature is written in a cursive, flowing style.

Neil G. Ferrari, CPA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Washington Council on the Aging, Inc.
Franklinton, Louisiana
For the year ended June 30, 2005**

I have audited the financial statements of the Washington Council on the Aging, Inc., Franklinton, Louisiana as of and for the year ended June 30, 2005, and have issued my report thereon dated September 2, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2005 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

- a. Report on Internal Control and Compliance and Other Matters Material to the Financial Statements

Internal Control:

Material Weaknesses ☐ Yes ☒ No
Other Conditions ☐ Yes ☒ No

Compliance and Other Matters:

Compliance and Other Matters Material to Financial Statements ☐ Yes ☒ No

- b. Federal Awards

Federal award expenditures were less than \$500,000. Accordingly, this section is not applicable.

- c. Identification of Major Programs – This section is not applicable.

- d. Management Letter - The auditor issued a management letter ☒ Yes ☐ No

Section II - Financial Statement Findings and Questioned Costs

There are no significant findings or questioned costs.

Section III - Federal Award Findings and Questioned Costs

This section is not applicable.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Washington Council on the Aging, Inc.

Franklinton, Louisiana

For the year ended June 30, 2005

Section I - Internal Control and Compliance Deficiencies Material to the Financial Statements

There were no findings reported for this section in last year's audit report.

Section II - Internal Control and Compliance Deficiencies Material to Federal Awards

There were no findings reported for this section in last year's audit report.

Section III - Management Letter

No management letter was issued by the auditor as part of last year's audit.

NEIL G. FERRARI

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MANAGEMENT LETTER

September 2, 2005

To the Board of Directors
Washington Council on the Aging, Inc.
Franklinton, Louisiana

I have audited the basic financial statements of Washington Council on the Aging, Inc., Franklinton, Louisiana, (the Council) as of and for the year ended June 30, 2005, and have issued my report dated September 2, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of my audit, I also issued a report, dated September 2, 2005, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

In planning and performing my audit of the basic financial statements of the Council for the year ended June 30, 2005, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control. My consideration of the Council's internal control would not necessarily disclose all matters in internal control that might be a reportable condition to management and, accordingly, would not necessarily disclose conditions that are also material weaknesses. In addition, my tests of compliance would not necessarily disclose all instances of noncompliance that may have occurred during the year.

During the audit, I became aware of certain matters involving the Council's internal control and its operation that (1) did not function as expected by management and/or (2) could help management strengthen the Council's internal control to assure future compliance or remedy weaknesses that are present. *The following items are the matters that I noted during the audit which are deserving of your attention.*

Finding 2005 -1: Cash Fares Were Not Being Collected, Recorded, and Deposited as Expected and the Process Contained Weaknesses in its Design

The Council's policies and procedures relating to Cash Fares were not followed as expected during the year and the process contained weaknesses in its design. The current procedure is (1) to have the passenger place the cash fare directly in the fare box, (2) to have the contents of the fare box verified at the end of the driver's shift by the driver and the driver's supervisor by counting the money in front of one another and also comparing the money collected to the driver's trip sheets and Fare Receipt form to see if they equal one another, and (3) depositing the money at least three times a week.

I noted that the deposits were usually being made about once a week and, on occasion, at intervals that were more than one week. I also noted that the drivers' Trip Sheets and Fare Receipt forms did not always equal one another and the amount deposited in the bank. The discrepancies between the cash fares per the Trip Sheets and the amounts per the Fare Receipt forms made me wonder if the cash fare process was just managed poorly or if cash was stolen.

To help analyze the reason behind the unaccounted for money and project the amount, I asked the Executive Director if she could manually compute the cash fares by zones for FY 2005. However, I was told that this computation could not be retroactively done for FY 2005 as I had hoped. As a result, I am unable to say with certainty whether or not the funds were stolen or if the accounting was poor. Further, I am unable to project how much might have been stolen if that were indeed the case. However, I would like to point out that the FY 2005 cash fares were about \$2,000 less than the FY 2004 cash fares and there is no indication of any less amount of service in FY 2005 to go along with the decrease.

There were two procedures missing from the overall design of the cash fare process that, if present, could have helped management detect if a theft had occurred or prevented it altogether. First, the CTS software could have been programmed to compile fares by "zones." If this had been done, management would know how many trips per zone occurred each day and could project the amount of fares the Council should have collected daily. Once this information was known, management could compare the actual money collected to what should have been collected to enable it to monitor the cash fare process better. Second, management could have had someone who was independent of the drivers and their supervisor compare the cash fare collection information on the trip summary logs to the amount of money deposited each week to see if the procedures were being followed correctly and if any money had been unaccounted for.

I want to point out that management had noticed a problem in the cash fare area before I noticed it during the audit and took steps to change a portion of its procedure beginning June 1, 2005. The new procedure modified the way in which the drivers and their supervisor were recording the amount of money collected each day through the use of a new form. This new form was being sent to the Council's bookkeeper so she could better account for the money that had been collected before she

deposited the money. However, the bookkeeper was not comparing the information per the revised form to the Trip Sheets. Accordingly, I asked the bookkeeper to obtain the Trip Sheets for June and July and compare what they had recorded as trip collections to the amount of money reported on the new form and subsequent deposits. She found that the discrepancies still existed, although the amounts were not significant.

I recommend that the Council begin to track its trips by fare "zones" and compare the amount that should have been collected to what was actually deposited for specific periods of time (such as one week or one month). Second, the bookkeeper should compare the amount of cash fares per the trip logs to how much has been deposited. This comparison should be done at least weekly. Third, one person should be solely responsible for receiving the cash from the drivers and depositing it into the bank. Fourth, all cash fares should be deposited daily. Fifth, the locked box used to receive the cash fares from the passengers needs to be modified to reduce the size of the slot so that cash cannot be removed so easily. The current size of the slot is large enough for someone to remove the dollar bills with tweezers. Sixth, the Fare Receipts should be prenumbered.

This report is intended solely for the use of the Council's finance committee, board of directors, management, pass-through entities, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.

I will report on the status of management's corrective action of these matters in next year's audit report. I have already discussed these comments with the Council's Executive Director and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

A handwritten signature in cursive script that reads "Neil Ferrari, CPA". The signature is written in dark ink and is positioned above the printed name.

Neil G. Ferrari, CPA

MANAGEMENT'S CORRECTIVE ACTION PLAN

**Washington Council on the Aging, Inc.
Franklinton, Louisiana**

For the year ended June 30, 2005

To the following oversight agencies for audit:

State: Legislative Auditor of the State of Louisiana; and
Governor's Office of Elderly Affairs;

Local: Capital Area Agency on Aging - District II, Inc.

Washington Council on the Aging, Inc., Franklinton, Louisiana, respectfully submits the following corrective action plan for the year ended June 30, 2005.

Name and address of independent public accounting firm: Neil G. Ferrari, CPA, 14481 Old Hammond Highway, Suite 4, Baton Rouge, Louisiana, 70816.

Audit period: For the year ended June 30, 2005.

Section I - Financial Statement Findings - There were no findings reported by the auditor in this section.

Section II - Major Federal Awards Program Findings and Questioned Costs
There were no findings reported by the auditor in this section.

Section III - Management Letter

Finding 2005 -1: Cash Fares Were Not Being Collected, Recorded, and Deposited as Expected and the Process Contained Weaknesses in its Design

Management's Corrective Action Plan: Management acknowledges the auditor's findings and has implemented the recommendations made by the auditor following Hurricane Katrina. Since making the changes, management has not had any unaccounted for discrepancies.

If there are any questions about this plan, contact Nancy McBeth, Executive Director, at (985) 839-4535.